

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**SB 821 - HB 1071**

March 14, 2011

**SUMMARY OF BILL:** Prohibits registration of a motor vehicle, and for motor vehicles to be driven on roads or highways in Tennessee, unless the vehicle and owner complies with the Tennessee Financial Responsibility Law of 1977 (TFRL). Prohibits the Commissioner of Revenue from issuing a motor vehicle registration or renewal unless the applicant provides satisfactory proof that the vehicle and owner are in compliance with the TFRL. Establishes certificates, issued by either the Department of Revenue (DOR) or the Department of Safety, which are considered satisfactory proof of compliance with the TFRL. Establishes a registration reinstatement fee of \$100 after a first termination of a vehicle's registration for non-compliance with the TFRL; and a registration reinstatement fee of \$200 after a second termination. Requires insurance companies to state on documentation such as the declaration page of an insurance policy or issued insurance cards that the policy of insurance will be in force throughout the period of registration or renewal of the motor vehicle. Creates a Class C misdemeanor offense punishable by a fine not in excess of \$250 for a first offense of non-compliance with the TFRL, and a fine not in excess of \$500 for second and subsequent offenses with the possibility of license revocation. Creates a Class C felony offense for individuals who, with intent, alters, forges, or counterfeits insurance cards, and for individuals that make, sell, or otherwise make available invalid or counterfeit insurance cards, or other evidence of insurance.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue – Net Impact – \$992,400**

**Increase State Expenditures – \$41,000  
\$23,600/Incarceration\***

**Decrease Local Revenue – Net Impact – \$17,213,500**

**Increase Local Expenditures – Exceeds \$200,000\*\***

**Assumptions:**

- Based on information submitted by DOR for similar bills proposed during the 106<sup>th</sup> General Assembly, it is estimated there are approximately 5,360,000 vehicles registered in Tennessee. This number is assumed to remain constant.

- Based on information submitted by the Comptroller's Office for similar bills proposed during the 105<sup>th</sup> and 106<sup>th</sup> General Assemblies, the uninsured motorist rate in Tennessee is estimated to be 22 percent (1,179,200 uninsured motorists). This number is assumed to remain constant.
- Thirty percent of uninsured motorists (353,760) will be able to acquire appropriate levels of insurance and will be able to renew or maintain motor vehicle registrations.
- A recurring increase in state revenue estimated to be \$2,200,000 derived from insurance premium taxes as approximately 353,760 individuals acquire insurance.
- Of the remaining 70 percent (825,440), 75 percent (619,080) will not be able to acquire insurance and will not be able to renew motor vehicle registrations; thus causing a recurring decrease in registration fee revenue. The remaining 25 percent (206,360) will acquire insurance for the purpose of obtaining motor vehicle registrations, but these individuals will either terminate policies immediately thereafter or will refuse to pay premiums for such policies resulting in a revocation of insurance.
- According to DOR, the average state registration fee among all class codes is approximately \$28.00 per vehicle.
- The recurring decrease in state revenue attributable to reduced registration fees will be \$17,334,240 (619,080 x \$28.00).
- According to DOR, the average county wheel tax is approximately \$28.75 per vehicle registered.
- The recurring decrease in local government revenue attributable to reduced registration and wheel tax collections will be \$17,798,550 per year (619,080 x \$28.75).
- Of the 206,360 individuals that acquire insurance for the purpose of obtaining motor vehicle registration, but either terminate the policy thereafter or refuses to pay the premiums for such policy, ten percent (20,636) will be cited for first-time violations of the TFRL and their motor vehicle registrations will be terminated; five percent (10,318) will be cited for second-time violations and their motor vehicle registrations will be terminated; and five percent (10,318) will be cited for third and subsequent violations and their motor vehicle registrations will be terminated and their driver licenses will be revoked.
- Seventy-five percent of first-time offenders (15,477) will reacquire motor vehicle insurance, pay registration reinstatement fees, and have their motor vehicle registration reinstated.
- There are no apportionment provisions in this bill for registration reinstatement fee revenue; therefore, it is assumed the state will retain 100 percent.
- Given the proposed registration reinstatement fee of \$100 for first-time offenders, the increase in state revenue will be \$1,547,700 (15,477 x \$100).
- Fifty percent of second-time offenders (5,159) will reacquire motor vehicle insurance, pay registration reinstatement fees, and have their motor vehicle registration reinstated.
- Given the proposed registration reinstatement fee of \$200 for second-time offenders, the increase in state revenue will be \$1,031,800 (5,159 x \$200).
- Twenty percent of third-time and subsequent offenders (2,067) will reacquire motor vehicle insurance, pay registration reinstatement fees, pay driver license reinstatement fees, and have their motor vehicle registration and driver licenses reinstated.
- A minimum \$50 driver license reinstatement fee.

- Given the proposed registration reinstatement fee of \$200 for third-time and subsequent offenders, and a minimum \$50 driver license reinstatement fee, the increase in state revenue will be \$516,750  $[(2,067 \times \$200) + (2,067 \times \$50)]$ .
- Fourth-time and subsequent offenders will not acquire insurance, will not pay registration reinstatement fees or driver license reinstatement fees, and will not have registrations or driver licenses reinstated.
- Of the 825,440 individuals that will not be able to acquire or maintain vehicle liability insurance, 10 percent (82,544) will be cited with violations of the TFRL. Of the 82,544 cited, 70 percent (57,781) will be first-time offenders and will be required to pay an average fine of \$150; 30 percent (24,763) will be second and subsequent offenders and will be required to pay an average fine of \$300.
- Twenty-five percent of first-time offenders will not be able to pay the average \$150 fine due to indigence; 30 percent of second and subsequent offenders will not be able to pay the average \$300 fine due to indigence.
- Local governments receive five percent of fine revenue as commission.
- The increase in state revenue from fines will be \$11,115,563  $[(57,781 \times \$150 \times 75\% \times 95\%) + (24,763 \times \$300 \times 70\% \times 95\%)]$ ; the increase in local government revenue from fines will be \$585,030  $[(57,781 \times \$150 \times 75\% \times 5\%) + (24,763 \times \$300 \times 70\% \times 5\%)]$ .
- The net recurring decrease in state revenue will be \$922,427  $(\$17,334,240 - \$1,547,700 - \$1,031,800 - \$516,750 - \$11,115,563 - \$2,200,000)$ .
- The net recurring decrease in local government revenue will be \$17,213,520  $(\$17,798,550 - \$585,030)$ .
- According to DOR, the Department will require one additional position to administer the provisions of this bill. The increase in recurring expenditures will be \$41,000 (\$23,300 salary, \$10,855 benefits, \$6,845 other).
- The Department of Correction (DOC) estimates one additional Class C felony admission every three years.
- According to DOC, the average operating cost per offender per day for calendar year 2011 is \$60.62. The average post-conviction time served for a Class C felony is 3.23 years. The cost per offender for a Class C felony is \$71,517.05  $(1,179.76 \text{ days} \times \$60.62)$ . The annualized time served per conviction is 389.32 days  $(0.33 \text{ annual number of convictions} \times 1,179.76 \text{ days})$ . The annualized cost per conviction is \$23,600.58  $(\$60.62 \times 389.32 \text{ days})$ .
- No additional operating cost as a result of population growth in this period.
- An increase in local government expenditures for additional county clerk costs for processing registrations with proof of financial responsibility, mailing back registrations not properly submitted, and for verification of financial responsibility information. Such additional administrative costs will exceed \$100,000 per year statewide.
- An increase in local government expenditures for additional court costs for processing additional cases, and for confirming whether or not offenders have obtained appropriate levels of liability insurance. Such additional court costs are estimated to exceed \$100,000 per year statewide.

*\*Tennessee Code Annotated, Section 9-4-210, requires that: For any law enacted after July 1, 1986, which results in a net increase in periods of imprisonment in state facilities, there shall be appropriated from recurring revenues the estimated operating cost of such law. The amount appropriated from recurring revenues shall be based upon the highest cost of the next 10 years.*

**\*\*Article II, Section 24 of the Tennessee Constitution provides that: *No law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.***

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/rnc